

4 July 2007

**Joint Statement**  
**The 3<sup>rd</sup> EU-China Economic and Financial Dialogue**  
Brussels, Belgium, 4 July 2007

The 3<sup>rd</sup> EU-China Economic and Financial Dialogue meeting took place in Brussels on 4 July 2007. The Dialogue was opened by Joaquin Almunia, Commissioner for economic and financial affairs. Directors General Holmquist and Regling and Vice Finance Minister Zhu Zhigang co-chaired the dialogue. The EU delegation included representatives from Directorate General for Economic and Financial Affairs, Directorate General for Internal Market and Services, Directorate General for External Relations, the EU delegation to China and a representative of the European Central Bank. The Chinese delegation consisted of representatives from Ministry of Finance (MOF), Ministry of Foreign Affairs (MOFA), Ministry of Commerce (MOFCOM), China Banking Regulatory Commission (CBRC), China Securities Regulatory Commission (CSRC), China Insurance Regulatory Commission (CIRC) and Mission of the P. R. China to the European Communities.

Both sides emphasized the important role of this EU-China Economic and Financial Dialogue in strengthening the EU-China comprehensive strategic partnership, promoting mutual understanding and cooperation in macroeconomic and financial areas. The Dialogue complements other economic dialogues covering, among others, trade, investment and intellectual property rights. This exchange of expertise - as also witnessed at the expert meeting on accounting in the margins of the dialogue - has been welcomed by both parties. Both sides agree that a regular exchange of information, including through ad-hoc technical meetings, should be pursued also between the annual Dialogue meetings.

• **Macroeconomic Issues and Policies**

**Global and domestic macroeconomic situation.** The two sides reviewed the global macroeconomic situation as well as the outlook for the two economies. They noted that notwithstanding high oil prices, global growth remains robust, aided by still benign financial market conditions and buoyant global trade growth. The Chinese side noted that the Chinese economy has grown faster than expected. The EU side pointed out that economic growth continued to remain above potential. The two sides agreed that this benign environment provides a good opportunity for the two economies to implement structural reforms so as to lay a strong foundation for sustained growth. At the same time, downside risks, including rising prices, global imbalances, reassessment of risk in financial market and growing protectionism, require continued vigilance.

**Addressing global imbalances.** As representatives of two major economies in the world, the two sides reaffirmed their commitment to an orderly adjustment of global imbalances. The Chinese side reiterated its commitment to undertake policies that would lead to sustained, rapid and more balanced growth of its economy. In this context, the Chinese side affirmed its intention to make efforts to boost domestic demand. The EU side outlined the determination of member states to continue comprehensive structural reforms with the aim to strengthen growth and employment.

**Fiscal and monetary policies.** The Chinese side pointed out that, in view of the current

economic situation, the government will continue to implement appropriate macroeconomic policies including prudent fiscal policy as well as prudent and moderately tight monetary policy, deepen structural reforms and speed up the transformation of economic growth patterns so as to maintain a sustainable growth momentum. China will continue to improve the formation of a RMB exchange rate mechanism in a principle of self-initiated, controllable and gradual way.

The EU side emphasized that efforts are needed in many EU Member States to further improve budgetary positions. Because of the impact of ageing, a sound budgetary situation is crucial to enhance the long-term sustainability of public finances.

The EU also noted that the first experiences with the revised Stability and Growth Pact are encouraging, but that the real challenge will come now as favourable cyclical conditions and rising tax revenues increase pressures for higher spending in some Member States. The EU emphasized its commitment to the comprehensive structural reform strategy adopted under the Lisbon Agenda, which might already have increased the EU's potential growth rate. The EU side pointed out that the monetary stance in the euro area continues to be supportive of growth, as real interest rates are still low by historical standards even after substantial withdrawal of monetary stimulus by the ECB.

## | **Financial Sector Reforms**

### **China's Financial Sector Reforms**

Both sides stressed the importance of well-functioning and gradual opening up capital and financial services markets to promote economic growth, to reduce financing costs and to foster efficient allocation of capital. The two sides agreed to work towards greater global regulatory convergence including sound international standards and principles-based regulation with a view to promote efficiency, competition and to strengthen investor protection and financial stability. The two sides agreed to strengthen their cooperation in financial sector reform and supervision. Concerning foreign participation, the two sides reaffirmed their commitment that any prudential measure should be non-discriminatory. Both sides expressed their willingness to work together closely, to develop their financial relations and to expand cooperation whenever possible.

Chinese participants described measures taken to strengthen financial sector reforms, including increasing capital adequacy ratio, improving corporate governance of financial institutes, promoting information disclosure, strengthening market order and reforming the non-tradable shares, consolidating securities companies and promoting financial innovation. The Chinese side also reaffirmed its commitment to advance financial sector reforms by keeping opening up policies, strengthening prudential supervision and risk prevention, enhancing transparency and improving the legal framework of financial sector supervision.

### **EU's Financial Sector Issues**

EU participants reported on the progress achieved in the EU's financial sector integration and the development of its financial markets. They presented the EU initiatives towards an integrated, open, more competitive and efficient European financial services markets. The EU financial services policy aims at dynamically consolidating progress, ensuring sound implementation and enforcement of existing rules, and transparent and evidence-based policy making, following "better regulation principles". The EU

participants stressed the importance of enhanced supervisory convergence, of creating more competition between service providers, and of better positioning the European Union in the global context.

#### **| Accounting**

Both sides acknowledged the progress made on bilateral communication and cooperation in the development and implementation of accounting standards since the last meeting of the Financial Dialogue in May 2006. The EU side commended China on the adoption of 39 new accounting standards, with a view to achieve substantial convergence of those standards with the IFRSs and to improve transparency of financial information. This is a major step in the direction of convergence with International Financial Reporting Standards (IFRS). Both sides recognized that this was an important step for the development of the Chinese economy and its place in the world's increasingly integrated capital markets. Both sides agreed in a monitoring session on accounting held on 2 July 2007 in Brussels, to continue cooperation on a political and technical level in view of the final decision by the EU on equivalence in mid 2008 as well as on international convergence of accounting. They agreed to create on both sides working groups which will start to work after this meeting in order to develop measures with a view to a final decision on equivalence in 2008.

#### **| Auditing**

The EU provided an update on its current and forthcoming activities in the field of audit regulation, in particular on the treatment of third countries. Both sides agreed on the main steps leading to close co-operation in auditing matters. In the monitoring session held on 2 July 2007 it was also agreed to create on both sides working groups on EU and China audit regulation and oversight, which will start to work after this meeting in order to pave the way for future close co-operation and mutual recognition in this field.

#### **| Government Procurement**

Both sides acknowledged the importance of regular discussions and information sharing in promoting mutual understanding of their respective government procurement systems, especially in view of China's forthcoming accession negotiation to the WTO Government Procurement Agreement (GPA). The Chinese side reaffirmed its commitment to start its accession to the GPA by December later this year. The EU side commended China for its commitment and stressed the need to speed up its domestic procurement reforms. Further to the last EU-China Government Procurement Seminar held a couple of weeks ago in Beijing, both sides expressed desire to deepen their cooperation within the framework of the EU-China Government Procurement Dialogue. As a result, both sides agreed to organize later this year a government procurement study tour by Chinese officials in Europe to see EU state-of-art practices.

#### **| Next Meeting**

Both sides reiterated that this dialogue is an effective means in exchanging views on macroeconomic and financial services and promoting cooperation in areas of mutual interests and growing relevance in the current global economic framework. The two sides agreed that the 4<sup>th</sup> Meeting of this Dialogue will be held next year in China. Where appropriate, also in order to prepare the next Dialogue's meeting, Expert meetings should be arranged to identify topics of mutual interest.